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Screening of Pharmacy Invoices Should Become Standard Operating Procedure

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June 2004 - It is common practice to screen all invoices for payment. Prices, quantities, availability, and checking for the correct product ordered are standard practices for all invoices. Even claims for medical invoices are checked for PPO versus non-PPO pricing. Case management scrutinizes high cost claims, or they are referred to disease management. Yet, these practices are not followed for pharmacy invoices from PBMs, TPAs, and Health Plans.

The assumption is that PBMs adjudicate all pharmacy claims electronically, so that there is no need for further review. Yet, annual audits regularly reveal pricing problems, invalid claims paid that would be denied if they were medical claims, and claims paid for ineligible members. Claims examiners regularly identify problem claims that are not benefit eligible. Potentially fraudulent or abusive contractors are recognized post-adjudication, rather than identified and targeted for intervention pre-payment. Yet, no action is taken.

Standard accounting practice demands that pharmacy invoices, like medical invoices, should undergo the same financial scrutiny as for all invoices. Electronic adjudication of claims is a significant improvement over manual adjudication, but it is far from perfect. As all medical claims move to online adjudication, the oversight of invoices becomes even more critical for oversight of expenses and as a risk management tool.

The technology now exists for payors to screen all pharmacy invoices pre-payment for:

- Financial summary of invoice with financial ratios
- Claims paid for ineligible members based upon member file
- Claims paid for members outside of their eligibility dates
- Claims paid for invalid claims (physicians, pharmacies, drugs)
- Claims paid for non-formulary drugs without prior authorization

- Claims priced for branded medications below the contracted rate
- Claims priced for generic medications below the MAC rate
- Claims paid with incorrect co-pay
- Claims paid for quantities greater than expected/formulary limits
- Claims paid for amounts greater than expected/formulary limits

The technology also exists for payors to use their invoices for proactive oversight and management of the pharmacy benefit, as well as for risk management. Coordination of contractors for outsourcing management of pharmacy and medical benefits is critical with the increasing use of case management, disease management, physician counter-detailing and other management contractors besides PBMs, TPAs, etc. Technology exists for screening pharmacy invoices to attack the following high profile risk management issues:

Triage candidates:

- High utilization/amount paid patients for triage to case/disease management with medication management recommendations
- Patients, pharmacies, physicians, and drugs responsible for highest volume of prior authorizations with recommendations
- Patients, pharmacies, physicians with the highest volume of DAW 1,2 claims with recommendations for triage or oversight by PBM
- Patients, pharmacies, physicians with the highest volume of target drug claims with recommendations for triage or oversight
- Pharmacies, physicians, and/or patients with high risk profiles for fraud or abuse

Management of rejection claims:

- Pharmacies and physicians responsible for highest volume of rejection claims with recommendations for corrective actions
- Drugs/therapeutic categories responsible for highest volume of rejection claims for referral to P&T with recommendations

Oversight/Management Issues:

- High volume pharmacies with the lowest generic percentage and/or lowest AWP discounts with recommendations for steerage/PBM audit/PBM oversight
- High utilization patients potentially shopping physicians and/or pharmacies and potentially over-utilizing the pharmacy benefit
- AWP spread for payment of brand and generic claims, and comparison to CMS FUL pricing with recommendations for PBM oversight
- Market share changes from previous month for highest/lowest volume drugs
- High utilization generic medications with the lowest AWP discounts with recommendations
- Early refills of maintenance medications (from prior invoices) with recommendations for PBM oversight

Accounting practices are commonly used to improve overall cost management and to indicate opportunities for improvement. When these practices are missing, the payor loses the most fundamental opportunity for expense reduction. With pharmacy benefit trend projected to be 25% by 2007, even with outsourcing to PBMs, fiscally prudent oversight is even more necessary.

Management oversight is standard practice when services are outsourced. Pharmacy invoices should be no exception. The payoff for plan sponsors is a savings of approximately 7 to 11% of bottom line drug spend, when invoice screening becomes standard operating procedure for risk management and expense reduction. This should be no surprise as it is similar to what they would expect to experience with quality improvement programs. Pharmacy benefits are manageable. Oversight is mandatory!

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